

The Internationalization Process of Italian Fashion Firms: Looking for an Analytical Generalization

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This study aims to explore the process of internationalization in Italian fashion firms, focusing on the strategy-structure fit and the role of the founding team in providing such a fit. On the basis of a single case study of a leading fashion firm, it emerges that classic deterministic theories of strategy-structure fit in growing firms offer a poor guide. The strategy is entirely 'emergent' and inspired by the specific talents of the founding team. Evidence confirms the causal link between strategy and structure: company structure is network-based and evolves according to the emerging strategy. However, the development route does not follow any deterministic model: The Uppsala model of incremental and cognitive internationalization, especially in its revised and network-based form, appears to be a more appropriate reference, being characterized by creative dynamics that are constantly evolving, in line with the founders' vision and strategy.

INTRODUCTION

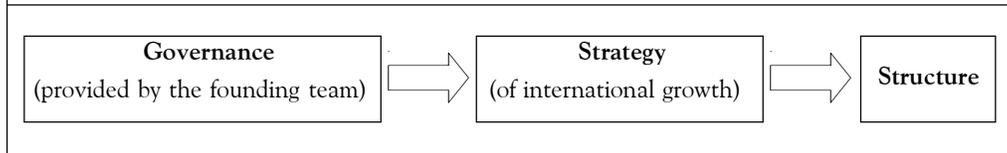
This study aims at exploring the process of internationalization in the Italian fashion industry, focusing on the strategy-structure fit and the governance of the 'founding team' (Beckman, 2006) in providing such a fit.

A coherent fit between strategy and structure is considered, in fact, a necessary condition for growth and it is one of corporate governance's main responsibilities (Chandler, 1962). In fast growing Small and Medium Enterprises (SMEs) such governance of the strategy-structure fit is provided by the founder or by the founding team (Loane *et al.*, 2007). The issue is especially critical for growing, internationalizing SMEs in the Italian fashion industry because of the special relevance of change that characterizes both the process and the industry (Figure 1).

The role of the founding team in the growth of the firm has been frequently investigated in technology-based ventures and empirical support has been provided

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Figure 1: The Casual Links Among Governance, Strategy and Structure Within a Single Firm, Based on Chandler's Tradition



for some findings. Eisenhardt's seminal work on USA semiconductor ventures has verified significant main and interaction effects for the founding team on firm growth (Eisenhardt and Schoonhoven, 1990), with specific reference to: 'previous joint work experience'; 'founding team size'; and 'variation in the industry experience of the founding team'. Others have focused on commitments and resources in technology-based start-ups in Taiwan. Combining a resource-based view and social capital theory; they have shown that resources and trust gained by the entrepreneur will enhance the commitment of founding team members which will further contribute to the competitive advantage of new technology-based firms (Lei-Yu *et al.*, 2009, p. 345). Colombo and Grilli (2005), in accordance with competence-based theories, show a positive relation between the growth of new technology-based Italian firms and founders' years of university education in economic and managerial fields and to a lesser extent in scientific and technical fields; similarly, based on their econometric estimates, prior work experience in the same industry of the new firm is positively associated with growth, while prior work experience in other industries is not; furthermore, it is the technical work experience of the founders as opposed to their commercial work experience that determines growth in technology-based Italian firms (Colombo and Grilli, 2005). The relevance of founding team experience for enhancing the chances of survival and growth of a new venture has also been highlighted in a representative sample of Swedish new ventures (Delmar and Shane, 2006). Stam and Elfring (2008), using a data set of 90 new ventures in the emerging open source software industry in the Netherlands, show that social capital that is embedded in the intra- and extra-industry ties of a new venture's founding team influences the relationship between the firm's entrepreneurial orientation and its performance. Beckman (2006) has shown, for a sample of 170 young high-technology firms in California's Silicon Valley, that shared understandings that emerge from common prior company affiliations and the creativity associated with diverse prior company affiliations have an impact on firm behavior and growth: shared understanding suggests easier implementation and speed, whereas unique knowledge is associated with innovation and change (Beckman, 2006, p. 753).

In a large scale study of all types of manufacturing firms in Denmark (Rasmussen *et al.*, 2009), the founding process of different types of firms is analyzed and it emerges that very few founders have connections with their previous employers and extremely few have contact to organizations, research institutions or universities: their contacts

are primarily to suppliers and customers and not to other firms in the same situation as themselves. Their interviews reveal that the task of creating a new venture is a lonely and difficult one as many founders expressed their feelings of isolation. The founders' profiles that emerge in Danish manufacturing firms is different from the typical stereotype of the high tech ventures, where the founder is expected to be a highly connected individual, highly educated in science or management and especially connected to previous employers and research institutions. The profile that emerges is that of a lonely individual, focused on the difficult task of building a network step by step, and whose contacts are primarily with suppliers and customers and not with other firms. The founders of fast growing SMEs in the Italian fashion industry may be even more different from the high tech stereotype. The hypothesis is that their main qualities are innate talents and the ability to manage an emerging strategy and the fit of this strategy with an evolving network structure.

The strategy-structure fit has been a main issue in management theory for many years, but there is a striking distance between the most classic, deterministic theories (Chandler, 1962) and the empirical evidence from fast growing, export oriented Italian SMEs (Lorenzoni, 1990). In fact, the process of internationalization and growth in the Italian fashion industry cannot be explained by traditional, deterministic models. The strategy-structure fit these firms develop in their international growth seems to be very peculiar and dependent on founders' talents.

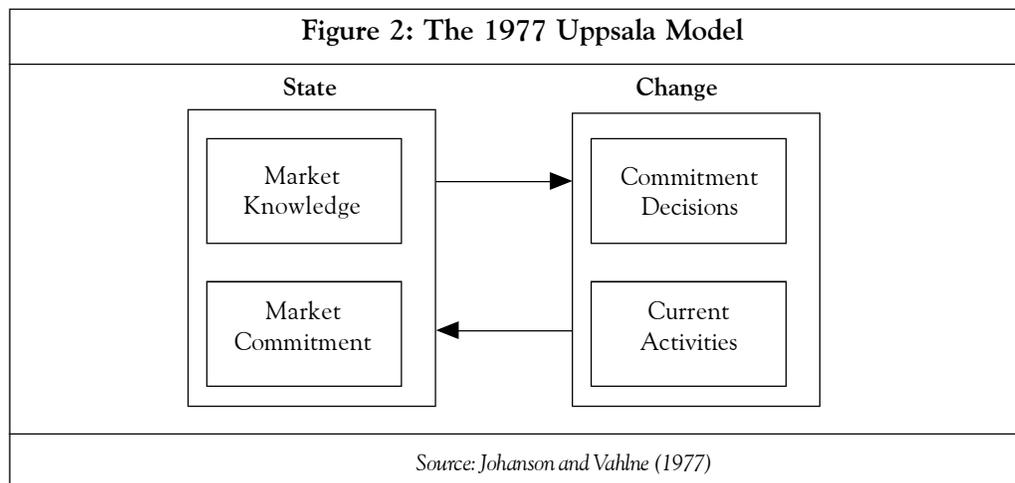
The theme of the relationship between strategy and organizational structure was first laid out in the work of Chandler (1962), where a direct causal connection is identified—the strategy determines the structure through changes in the organizational design—in the succession of four strategies: (1) Expansion of volume and needs of administrative functions; (2) Geographical expansion and distribution of the same function in more units that are further apart; (3) Vertically integrated business even with decentralized functions; and (4) Divisionalized company. Following Chandler's study on the US industry and that of Channon (1973) on British industry, others have adapted the model to the individual national specifics (Pavan, 1976 for Italy and Suzuki, 1985 for Japan). Considering the objective of the present article, it is also important to underline that Chandler's study is not about large industrial enterprises but about their history and how they grew large, so that there is no fundamental reason why this classic model should not be applicable to successful SMEs growing large.

Italian researchers have examined the subject of relation between the organizational structure and strategy looking at an environment that is characterized by small size and industrial districts and have pushed progressively forward towards a concept of the firm understood as a 'network' (Boari *et al.*, 1989; and Lorenzoni, 1990). Local systems and districts, in fact, prove to be the basic axis of Italian exports, even showing

the capacity to experiment with new forms of organization, such as the multi-located district (Zucchella, 2006).

Researchers operating in small and open economies in the Northern European countries (e.g., Sweden, Finland), were especially interested in SMEs' international growth. In a much quoted article published in the *Journal of International Business Studies*, Johanson and Vahlne (1977), presented a model of the internationalization process of the firm that has become known as the 'Uppsala model of internationalization' (Figure 2). The model has been a point of reference in the international business studies since 1977, to the point that the same authors presented a revisited version thirty two years later (Johanson and Vahlne, 2009).

The Uppsala model of internationalization (Johanson and Vahlne, 1977) brought attention to the importance of the cognitive processes on the incremental decision-making mechanisms and on the associated gradualness of the emerging courses of internationalization. The underlying assumptions of that approach are uncertainty and bounded rationality and its purpose is to explain empirical observations that



contradicted the established economic and normative international business literature of the time: that literature was based on optimizing the mode for entering a market, analyzing costs, risks and resources.

According to the empirical observations of Johanson and Vahlne, given certain cognitive conditions, businesses typically begin to expand internationally with direct export to a single country, through an agent; they later establish a sales subsidiary and finally, in some cases, a production establishment. This 'establishment chain' however 'is not part of the model, but rather a summary of the empirical observations on which we based our inductive theoretical arguments' (Johanson and Vahlne, 2009, p. 10). The core argument of the model is that firms change by learning from their experience of operating in foreign markets, so that the level and nature of foreign commitment is

learning-driven: 'experience builds a firm's knowledge of a market, and that body of knowledge influences decisions about the level of commitment and the activities [...]: this leads to the next level of commitment, which engenders more learning still' (Johanson and Vahlne, 2009, p. 2). Another feature of the pattern is that internationalization frequently starts in foreign markets that are close to the domestic market in terms of 'psychic distance', defined as factors that make it difficult to understand foreign environment. The firms would then gradually enter other markets that are further away in terms of psychic distance, through a process that has its origin in the 'liability of foreignness'. The larger the psychic distance, the larger is the liability of foreignness.

Many efforts have been made to further test and refine these ideas (Clark *et al.*, 1997; Morgan and Katsikeas, 1997; Eriksson *et al.*, 2000; Peng, 2001; and Knight and Liesch, 2002) and although some empirical evidence has been provided, critiques have emerged both at the theoretical level because of its supposed deterministic stage based approach (Reid, 1981; and Anderson, 2000), and at the empirical level, because many firms today do not follow traditional pattern, such as the so-called 'born global' firms (Rennie, 1993; and Knight and Cavusgil, 1995), 'international new ventures' (Oviatt and McDougall, 1994) and 'global start-ups' (Oviatt and McDougall, 1995). As far as determinism is concerned, we have already mentioned the fact that the 'establishment chain' is not really a part of the model or its core argument, and it is hardly reasonable to define a casual relation between experiential learning and resource commitment as deterministic. As far as the new 'born global' firms are concerned, they do not create a problem for the model: 'knowledge and relationships might indeed be in place prior to the formal founding of the firm [...], that might accelerate the process. If a firm starts from scratch though [...], the process of learning and building commitment will take time' (Johanson and Vahlne, 2009, p. 11).

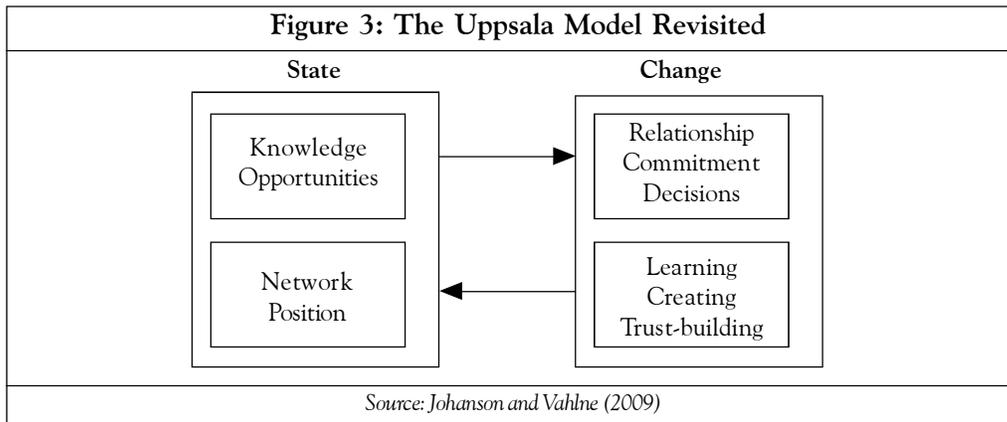
Others have focused on different international patterns of high technology-based firms (Autio *et al.*, 2000), small business firms (Chetty and Blankenburg, 2000), and firms in service industries (Coviello and Munro, 1997). Nevertheless, we would still argue that the Uppsala model is an appropriate tool for analyzing fast growing SMEs in the traditional Italian fashion industry.

Recent Italian studies which used the Uppsala model of internationalization as a basis, takes into account the described specifics of the Italian reticular production model. They have created a model of internationalization in stages, based on the model of sub-supply. By analyzing the processes of relocating the fashion sector in Eastern Europe they encountered three different phases: (1) Traditional sub-supply; (2) Coordinated sub-supply; and (3) Relocation of the supply system (Camuffo *et al.*, 2006).

Another way to investigate internationalization within a stage-based process approach is to use the concept of network as the starting point since it provides an appropriate framework for understanding firms as embedded actors in business

networks (Johanson and Vahlne, 1990; and Johanson and Mattsson, 1993). The network perspective builds up from the Uppsala model and, as mentioned above, is coherent with the Italian management tradition. It is especially effective for analyzing a typical fast growing Italian SME, viewed as a set of interlinked relationships connecting it with other firms in a more or less tight and evolving structure, embedded in a local cluster or district.

These studies highlight that the Chandlerian causal connection between strategy and structure remain valid: the flexible and reticular structure of the fast growing Italian SMEs adapts itself constantly and rapidly to the strategies of internationalization of businesses. However, the evolutionary path of the strategy-structure relationship in the fashion sector does not follow the historical path described by Chandler for the motor and chemical sectors. Uppsala model of incremental and cognitive internationalization appears to be the most suitable reference for the Italian 'industrial networks' of the fashion sector (Johanson and Vahlne, 2003) especially in its recently revised form 'with a business network view of the environment faced by an internationalizing firm' (Johanson and Vahlne, 2009) (Figure 3). The core argument of the revisited Uppsala model has two sides: the first is that markets are networks of relationships in which firms are linked to each other in various complex and to a considerable extent, invisible ways; the second is that relationships offer potential for learning and for building trust and commitment, both of which are preconditions for internationalization. If a firm attempts to enter a foreign market where it has no relevant network position (a firm that does not have a position in the relevant network is defined as an outsider), it will suffer from both a 'liability of outsidership' and a 'liability of foreignness'.



The revisited Uppsala model extends to international markets the network approach that has been applied to the firm (Tichy *et al.*, 1979; and Snow *et al.*, 1992) and has proved fruitful in analyzing some of the most successful and representative experiences in the Italian industry (Lorenzoni, 1990). In that sense we believe that it can be a suitable model for understanding the international growth of Italian SMEs, especially in fast changing and market driven Italian industries.

What is missing in the revised Uppsala model, with its ‘business network view of the environment faced by an internationalizing firm’, is a ‘network view of the internationalizing firm itself’ that is so typical of the Italian industrial tradition and the role of an entrepreneurial founding team in shaping both the strategy and the network structure. This research aims to fill this gap.

METHODS: HYPOTHESES AND RESEARCH DESIGN

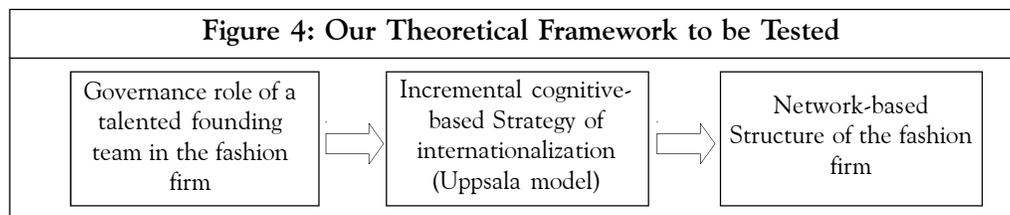
This work adds to the study of the internationalization process of export oriented businesses in the ‘made in Italy’ fashion industry, by focusing on the strategy-structure fit and the governance of the founding team.

The choice of the fashion sector was motivated by its current contribution to the Italian balance of payments (11.5% of Italian exports, that is €41.9 bn, based on the latest available data by ISTAT; the sector is second only to machineries) and because it represents a sector in which Italian SMEs could maintain a competitive advantage in future, because of the existent resources and skills and because of the reputation and image of the country in the sector.

As can be seen from the review of literature in the previous section, the role of the founding team has not been investigated in traditional sectors such as the fashion industry, and there are reasons to believe that it may be different from technology-based ventures. Doctorates or degrees in economics, management or science, experience in the field, resources and competence may play a very small role in the fashion industry.

The ‘first hypothesis’ is that, unlike the high tech new ventures, a talented founding team, with no special connections or formal education in the field, may have a key role in crafting an emergent internationalization strategy and keeping it coherent with firm’s structure.

The ‘second hypothesis’ is that the classic deterministic models of internationalization do not lend themselves to the ‘industrial networks’ of Italian businesses in the fashion sector: the Uppsala model of incremental internationalization appears to us to be the most suitable interpretative paradigm (Johanson and Vahlne, 1977 and 2009) for the internationalization of these businesses. Based on our two hypotheses, the internationalization process of network-based Italian fashion firms is explained integrating Chandler’s causality with the Uppsala Model of incremental internationalization and the governance of the founding team (Figure 4).



With regard to research methodology, we believe that the process of internationalization and the governance of the founding team, in crafting strategy and keeping it coherent with the structure are complex phenomena that cannot be investigated with a variable oriented approach or separated from the environment, because the boundaries between the firm and the 'network environment' are blurred. It is for this reason that we intend to contribute to the debate with an in depth 'case study' carried out over the course of 2007.

The research strategy is that of Yin (1989) and the unit of analysis is a single organization, Sixty Group (from now on 'Sixty'), a fast growing business in the 'made in Italy' fashion sector, located in central Italy. The choice of Sixty is determined by its accessibility and significance to the subject of internationalization: a case of a fast growing Italian business in the fashion sector, which has managed to grow and transform its structure for internationalization.

Several data sources were used: (1) corporate materials, balance sheets, Internet sources, business publications; (2) repeated unstructured interviews with executives, top and middle managers; (3) informal follow-ups with e-mails, phone calls and observations. Nine field visits and 21 interviews of an open-ended nature with top and middle managers were carried out in 2007 in Sixty. The interviews, ranging from 45 to 90 minutes covered the main areas of responsibility of each informant (CEO, CFO, COO, Sales VP, Marketing VP, Style Director, etc.). Interviews were not taped and anonymity was promised on some occasions in order to favor candor and easiness.

The study has no objectives of inferential generalization with regard to the population of Italian businesses in the fashion sector as a whole. Instead, it seeks to provide an 'analytical generalization' (Yin, 1989) within the case study itself with the aim of testing the two formulated hypotheses within the specific case.

If the internationalization process of Sixty verifies the above-mentioned hypotheses, this work will have contributed to confirming the interpretative validity of the Uppsala model and to understanding the role of the founding team in the international development of a successful Italian business in the fashion sector.

It is hoped that further studies will test the same hypotheses on other firms within the fashion sector.

THE CASE: FOUNDING TEAM, STRATEGY AND STRUCTURE

Sixty, whose first company was established in 1989, is currently a very important player within the Italian sector of designing, producing and marketing clothing items in the segment commonly referred to as 'casual wear'.

Sixty is the producer and distributor of brands including Miss Sixty, Murphy and Nye, RefrigiWear, Energie, Killah, Sixty, Richlu, Dake, Waxy, Baracuta, Kblost, Bandits du Monde and more recently, Roberta da Camerino.

The group distributes all over the world with the exception of a few minor Asian countries and the African continent (where it is only present in Egypt, Morocco and South Africa). Its retail outlets in the world, including their own shops, franchising and multi-brand independents, are estimated at 7,000 units distributed over 90 countries.

The total turnover of the group on December 31, 2006, including minor companies, was around €700 mn. The total employees and collaborators was around 1,500 individuals.

Sixty represents a success story in the Italian small and medium-size industries of 'made in Italy'. Founded in 1989 with only the energies and talents of two entrepreneurs, without any significant initial investment, the company has progressively grown to the extent of achieving, within a span of 15 years, an important place in the fashion industry and in the market: at the very beginning in the city of Rome, then in central Italy and the national market, later in western Europe, spreading progressively to eastern Europe, US and, finally, to non-European markets and Far East. It has followed a typically 'psychic distance' pattern.

From the beginning, the company's strategy was not calculated but 'spontaneous' (Mintzberg and Waters, 1985) and seems to confirm that 'knowledge of opportunities or problems is assumed to initiate decisions' (Johanson and Vahlne, 1977, p. 27). The entrepreneurial idea begins, in fact, casually in Rome, with the meeting of a creative talent (Wichy Hassan) and a managerial talent (Renato Rossi). As Wichy Hassan recalls in an interview for Mig Pig on February 2, 2004: "I was doing something completely different. I was attending the academy, I was painting. I had an exhibition. I didn't sell anything. I tried doing something else, I used to go to Porta Portese on a Sunday to sell things, then to another market. After going through all of this, I opened a shop. My partner saw that things were going well and he made me open another".¹ Initially, the business dealt with the import of articles popular in the US that were not yet widespread in Italy in 1982-1983. I started buying popular things because everyone was wearing the same clothes, the same brands. It was the time of the first All Stars, I was the only one in Lazio that sold them, I had the exclusive. The first Timberlands, the first Levis' 501, that no-one had yet. All imported stuff. The first Fruit of the Loom T-shirts, sweatshirts with hoods. Many were American imports, clothes that you could not see around, when dinosaurs still roamed, years and years ago."²

Then the desire to find innovative solutions and the creative ability pushed the business from commerce to handicraft: "I could no longer find the things that I needed, so with a seamstress from the shop, the one that did repairs, I tried some things. I had some old used jeans, very small sized Levis'. I had made some material inserts, ethnic, a bit Mexican.

¹ In "Mig Pig", available at <http://pigmag.com/it/2004/02/02/wicky-hassan/>, February 2, 2004. (Last accessed on July 10, 2010).

² *Ibid.*

The trousers widened, they 'increased in size and they were very unusual. They worked. It was 1984, '85'"³

The success of handicraft products and a strong demand from young people rapidly produced an industrial activity with the creation in 1989 of Sixty S.r.l., then Sixty S.p.A., but the spirit and strategy of the company remain unchanged: "We work mainly by intuition, spontaneously, on the strength of the energy that is unleashed. It is a lot about the enthusiasm, the excitement that grows, explodes and excites you. I am careful with every piece that I create. We try, even today, to do everything unconsciously without being weighed down by anxiety over sales. We try to keep ourselves 'light and irresponsible.'"⁴

'Lightness' is a constant factor in Sixty's strategy: satisfying the clothing needs of teenagers through the constant application of innovation and creativity, remaining 'light' within the production structure and always ready for change.

As Renato Rossi recalls: "I started almost as a joke, opening a store in 1975 in Rome in Via Cola di Rienzo, in the Prati district, selling only jeans. It was a small shop, but actually very innovative in the clothing landscape of the time. At first I cared only local production, reaching maximum central Italy. Then the turnover has grown, and it is then that in 1983, I met Wichy Hassan, who had just created Energy, one of the clothing stores that has made history for his experimental and innovative character, its links with culture and art exhibitions: shop windows were created in an original way by contemporary artists, and soon it became the benchmark for all young people who even came from outside Rome. At first it was just a working relationship between supplier and customer, and later on, the encounter between the creative spirit of Wichy Hassan and the entrepreneurial skills of Renato Rossi produced a true partnership that gave birth to the Sixty Group in 1989."⁵

The 'founding team' grew out of a supplier-customer relationship between two very differently talented individuals: a creative talent and an entrepreneurial talent; both self employed, with no previous employers or special connections in the fashion industry; their education (painting in the case of Wichy Hassan and a degree in engineering in the case Renato Rossi) was neither in management studies nor in any subject specifically related to fashion.

The two founders have been running the firm from the very beginning and they currently sit on the board of directors as President of the Board (Wichy Hassan) and CEO (Renato Rossi): they are still in charge of all the main decisions in the firm regarding strategy, structure and internationalization, each one according to his innate talents, so that Wichy Hassan is company style Director and Renato Rossi takes care of running the business.

³ *Ibid.*

⁴ *Ibid.*

⁵ In "Specchio Economico", available at <http://www.specchioeconomico.com/200612/rossi.html>, December 2006. (Last accessed on July 10, 2010).

Product creation and commercialization from the two respective entrepreneurial souls of the founding partners remain the main activities in Sixty's value chain. Product industrialization has, in fact, maintained the handicraft spirit through constant search for ideas and products capable of satisfying the ever-changing clothing needs.

Business strategy that focused on the changing needs of the consumer, needed a socio-technical structure that is as flexible and light as possible; it draws from outside the most appropriate human and material resources, whether these are creative talents, brands to be launched or productive efficiencies of sub-suppliers. Client demand and the positive results pushed Sixty to acquire new brands and new production capacities. The three main companies that joined Sixty S.p.A. in the course of time were started to purchase individual brands to be relaunched (Sixty Active S.p.A.: turnover of €100 mn, MurphyandNye brand; Cruz S.r.l.: turnover of €40 mn, RefrigiWear brand) or to buy manufacturing capacity (Sixty Factory S.p.A.: turnover of €70 mn) to keep separate from the core business of product planning and commercialization.

The management of acquired brands through separate companies reduced risk to founding company, led to a more focussed monitoring of the brand's economic character and strategies, and helped to keep Sixty S.p.A.'s main structure 'light'.

Sixty S.p.A (the turnover on December 31, 2006 was €470 mn) had a typical functional structure. The other companies of the group only had main functions and depended on Sixty S.p.A., through service contracts, for the remaining functions "(control of management, finance, strategic marketing, management of personnel, operations)".

Industrial activity and coordination of the chain of sub-supply are concentrated in Chieti, while creative activity is entrusted to the style office in Rome. Asked why the headquarters was set up in Chieti, Renato Rossi declares that "It was a choice determined by the need to be close to our production sources. That area is, in fact, advanced with regard to the denim industry: there is a connective tissue of small firms, such as laundries and printing houses, which responded to our needs for product research".⁶ The main objective of the style office in Rome is to anticipate, in a systematic way, the seasons of fashion to keep ahead of changes in taste of the new generations. The objective is reached through a continuous turnover of young talent from all over the world, with curiosity and with different points of view, to experiment. This has allowed the group to create collections of great originality that are a reference point for young consumers.

Sixty has recently entered into the footwear sector with the brands of Miss Sixty, Energie and Killah and it coordinates the technical and stylistic image respective to leather goods, glasses and perfumes. In June 2007 the group purchased the historical Venetian brand 'Roberta di Camerino' and set up 'Roberta di Camerino S.p.A' in Venice, thereby entering into the luxury goods sector for the first time.

⁶ *Ibid.*

Sixty's spontaneous strategy has been an incremental process of developing opportunities based on experience more than planning: 'on the basis of objective knowledge, it is possible to formulate only theoretical opportunities, experiential knowledge makes it possible to perceive 'concrete' opportunities—to have a 'feeling' about how they fit into present and future activities (Johanson and Vahlne, 1977, p. 28). Such a strategy produced an evolving, light and flexible network structure, based on taking advantage of opportunities in the form of new brands, new plants, markets or creative talents, all of them under the guidance of the founding team.

INTERNATIONAL GROWTH: NEW STRUCTURE AND THE ROLE OF THE FOUNDING TEAM

Sixty's process of internationalization was also spontaneous. After an early beginning in Rome and in central Italy, at the end of the 1980s and at the beginning of the 1990s there was a commercial expansion, especially in the national territory, thanks to the detailed knowledge of the domestic market, the geographical proximity and cultural affinities between producer and consumers. Later, the success at national level led to increased exports first to culturally similar countries and progressively to those further away, first in Europe and North America, and then in the East and the rest of the world.⁷ The sales make-up between the Italian market and exports on September 30, 2007 was the following: 29% Italy, 42% Europe, 13% United States, 11% Far East, 5% other countries. Recent trends show the growing weight of the foreign component compared to the national one.

Production installations and production agreements followed commercial penetration occurring first in Italy, then in eastern Europe and the Mediterranean basin, and finally in the Far East, with the increasing importance of the Chinese market.

A distinctive feature of the Chinese 'casual wear' market is 'price competition'. This is caused by both the extensive low cost local manufacturing base and the exponentially growing supply of foreign brands that normally use the price variable in the launch phase. Foreign luxury brands are able to maintain a price differential with regard to local brands but in the case of 'casual wear', prices tend to level out to those of local brands and 'made in China' international brands. For the above reasons, Sixty's strategy in China opted both for the acquisition of the historical Venetian brand of the luxury goods sector 'Roberta di Camerino', and for the outsourcing to China of production of certain 'casual wear' brands. The biggest financial effort is currently dedicated to positioning the brand image, which is necessary to justifying the price differential over local products.

⁷ With regard to marketing abroad, Sixty uses both direct and indirect channels and for some of the main foreign markets, holds control of the foreign marketing companies. Sixty S.p.A. holds especially the following controlling interests: Sixty Scandinavia AS (100%); Sixty Deutschland GmbH (100%); Sixty Brasil Ltda. (99,9%); Sixty Argentina SA (95%); Sixty Spain SL (99,5%); Sixty Portugal Lda. (100%); Sixty Belgium SA (99,8%); Sixty Netherlands BV. (100%); Sixty Canada Inc. (100%); Sixty France Sàrl (99,5%); Sixty Polska Sp.zo.o. (99%); and Sixty Log Srl (100%).

Sixty Far East Ltd., based in Hong Kong, has been in charge of commercial penetration and production in China since 2003. This company controls: (a) The retail network with retail outlets in the main cities; (b) The wholesale business with a network of commercial agents; and (c) Production outsourcing. Because of the restrictive provisions and information asymmetry vis-à-vis local competitors, it was considered necessary to set up a partnership with a local operator already equipped with production and retailing capacities; thus a company subsidiary was set up in Hong Kong, to oversee the establishment and relationship with the Chinese partner.⁸ The Chinese subsidiary employs a highly streamlined structure: a central management; a retail area; a wholesaling area; an area dedicated to 'product sourcing'; and some functions to support three areas: accounting and administration, marketing, IT and graphic design. The commercial presence of the Sixty group in China has developed strongly from 2003 to today, with dozens of retail outlets and a good base in the wholesale sector. Development prospects are especially linked to profitability, in relation to which the expansion of 'product sourcing' activities is central.

The rapid international growth of the company both by the internal route, with the expansion of Sixty S.p.A., and by the external route with the establishment or acquisition of Sixty Active S.p.A., Sixty Factory S.p.A. and Cruz S.r.l., has highlighted the need for coordination between the functional structures of the different companies. In the course of the group's development, in fact, in the absence of a more structured integration, the activity of coordination has been carried out by Sixty S.p.A., drawing to itself some of the more important functions.

During the course of 2007, with the aim of making the organizational structure of the company more efficient, it was decided to merge Sixty S.p.A with some minor companies⁹, and to reorganise the latter according to the following pattern.

The principal weakness in the previous structure was, in fact, that many of the main company functions were duplicated and scattered across different parts of the group.

With regard to the sales, the emerging need was that of a reorganization through the appointment of a 'Sales Vice President' for each one of the three main sales areas

⁸ At the start of Sixty's commercial penetration in China in 2003, the People's Republic of China's regulations provided strong restrictions in the retail sector. Specifically it was not permitted that foreign companies wholly own retail operations in the internal market. It was therefore necessary to establish a Chinese legal company in situ, owned by fiduciary subjects and in charge of wholesale and retail marketing activities. The preferred technical solution, used by the Gruppo Sixty itself, is that of establishing a company in the city of Hong Kong with special tax regulations, owned by the Italian mother house (Sixty Far East Ltd., in our case), which in turn establishes a company in the rest of China (generally in Shanghai), owned by local fiduciaries and dedicated to wholesale and retail marketing ("Sixty China" in our case).

⁹ The group performed a merger, effective from December 31, 2007, between Sixty S.p.A., Sixty Active S.p.A. and Cruz S.r.l., thereby reducing the group's fundamental structure to two main companies, Sixty S.p.A., with nearly complete management of the brands and the group's central body of staff and Sixty Factory S.p.A., with a narrower industrial function. On June 30, 2010, Sixty Factory S.p.A. is merged with Sixty S.p.A. so that Sixty S.p.A. remains the only main company in the group. There remains however, an autonomous business entity, Roberta di Camerino S.r.l. given the specifics of the luxury goods sector.

(Italy, Western Europe, developing countries and North America), with the aim of avoiding excessive concentration of responsibility on a single manager and enabling the regional manager to have a greater impact on a more homogenous and limited area. Each 'Sales Vice President' is in charge of a sales division made up of branches involved both in retail and wholesale and of one or more 'Area Sales Managers'.

The new organizational structure identifies, in fact, four Brand VPs, three Sales VPs and one Operations VP, all subordinate to the CEO (the founder, Renato Rossi) and, in the case of the Brand VPs, also to the creative figure of the Group Style Director (the founder, Wichy Hassan), who manages the 'Ufficio Stile' in Rome. Brand VPs are responsible for brand strategy, style, communications, R&D and brand marketing.

With regard to the reorganization of retail, a Retail Manager was appointed to be the central figure and the link between the CEO and all the VPs. Responsibility for the following activities is allocated to the Retail Manager: analysis of sales, order and stock related data; company design and image; merchandising; retail operations (store information data base, policy); planning, control and contracts related to the whole retail sector (franchising contracts, monitoring rents); editing the corporate Retail Plan.

To summarize and compare the main duties of the individuals, we have the following picture:

- Retail Manager: Proposes the retail strategies for the individual brands and geographical areas; draws up the corporate Retail Plan and is in charge of its implementation; is involved in developing the retail network; coordinates the retail sector on behalf of the CEO.
- Sales VP: Discusses and collaborates in drawing up the Retail Plan supplying the Retail Manager and the Brand VPs with information regarding retail performance in the target areas; drives and oversees branch performance with support of the Area Manager.
- Brand VP: Draws up the Retail Plan for the brand and sets brand objectives according to the strategic guidelines provided by the Retail Manager; discusses and collaborates in drawing up the corporate Retail Plan providing the Retail Manager and the Sales VPs information regarding brand performance; elaborates opportunities for the brands and recommendations for new shop locations that come from the branches.
- Branch Head: Is responsible for profits and losses in the assigned area.
- Area Manager: Is the link between several branches and one Sales VP.
- Operations VP: Is the industrial development of the product, purchasing, production and logistical functions.

With regard to the logistic function, as the supply chain was put to test by rapid success of the group, the need arose to move from a traditional functional approach to a management by processes, an approach more suited to the periodic launch of collections. In the new structure, the supply chain is managed by the VP Operations, comprising already existing units (purchasing of raw materials, raw materials warehouse, production, general purchasing, shipping) and new units (supply chain management, operations costs management, planning). With regard to relations between the two macroareas of business, sales and production, that is between Operation VP and Sales VP, the latter directly negotiates with the former on a contractual basis, everything that concerns logistics and production so that responsibilities are clearly defined.

The setting up of a central finance and administration office became necessary because of the growing number of reports and communication between the administrative offices of the different companies. The new structure introduces the Chief Financial Officer (CFO) who leads the accounts department, the management control department and credit department with associated responsibility for credit policy.

As is evident from the new structure, implemented to favor international growth, the founding team, through the posts of CEO and Group Style Director (in addition to President of the Board), retains a central role in an emerging strategy-structure fit and is, in practice, the main governing body. The founding team also continues to maintain ownership of the company.

ANALYSIS OF THE INTERNATIONALIZATION PROCESS

The development of Sixty's strategy-structure fit in the internationalization process confirms the first hypothesis, that is, unlike the high tech new ventures, a talented founding team, with no special connections, formal education or experience in the field may play a key role in crafting an emergent internationalization strategy and keeping it coherent with firm's structure.

The strategy geared towards satisfying the ever-changing clothing needs of young people through continuous research of creative and productive solutions in outsourcing, determines a light organizational structure with a flexible sub-supply network, both in the initial phase of domestic development and in the following one of internationalization. In the phase of national and European growth, the structure is organized around individual brands, with separate companies coordinated by a leader firm, to encourage maximum flexibility. In the following phase of international development outside Europe, the structure is reorganized on a geographical and brand basis to encourage the coordination of a more complex international strategy. In both phases the two founders were fully in control of the internationalization strategy and the development of the new structure, both sitting on the board of directors, one as CEO and the other as President of the board, and retaining ownership of the company.

Structural development cannot be entirely traced back to any classical British or North American paradigm '(Chandler, 1962; Scott, 1971; and Channon 1973)'. Sixty's evolution is, in fact, to be read with the theoretical references of the Italian national tradition and in that peculiar configuration of business networks and leading businesses (Lorenzoni, 1990), territorially rooted and geared towards export that may constitute the only distinct and original elements of the Italian industrial tradition.

Sixty's structure, inclusive of the suppliers' manufacturing base can effectively be understood through the concept of the 'network' company (Thorelli, 1986), with a variety of subjects, stability of transactions and structured exchange due to the coordinating role of the leading company (Lorenzoni, 1990).

The first phase of the group's development from 1989 to 1993, with the creation and growth of functions within Sixty S.p.A., facing rapid expansion in volume, could be traced back to the first stage of the Chandlerian model but already from 1993 the process of external growth takes a different route with the establishment of Sixty Active S.p.A. Scant rewards from internal growth, whether regulatory or financial, and operative advantages push the group from the beginning toward external growth and a reticular configuration of the manufacturing structure, made up mostly by a network of independent manufacturing suppliers, coordinated by the group head.

Vertical integration (Chandler, 1962), on the other hand, instead absent in Sixty's growth. One of the secrets of the group's success was actually that of remaining light and flexible, never internalizing either the manufacturing base (organized season by season, according to needs and thanks to an international, national and local production network, already rich of manufacturing expertise and flexibility) or the creative base, always open to the younger and more original talents in the market.

Continuous research for originality, transparency, openness toward new ideas and personalities, expressed in contractual forms that are always flexible even in the organizational and managerial roles, 'lightness' are values at the base of Sixty's culture and they are not very compatible with the Chandlerian model of vertical integration and 'hierarchization'.

In the fashion sector, market transactions appear to be more efficient and more effective than hierarchy based transactions, and it is this that generates organizational networks rather than big companies integrated in the classical Chandlerian tradition and typical of industrial sectors (motor, oil, chemical and large scale retail). The fashion sector is often considered a 'traditional' industry like the motor, oil and chemical industry, but its structure is entirely different. It is not the lack of capital or a managerial culture, but the actual essence of transactions in the fashion sector and the continuous pursuit of creativity and flexibility that defines non-hierarchical network structures (see Cerruti and Harrison, 2006, for an analysis of Gucci's network structure, indeed very similar to the industrial network in our case study).

Coase's (1937) conceptual approach grasps the nature of these transactions. They have a low level of 'specificity' (the same machinery of the manufacturing supplier can be used for different brands and productions), a controlled and programmable 'frequency' (launch of collections and new information instruments of production allow the effective management of large networks of manufacturing suppliers that are external to the company) and low 'uncertainty' (many manufacturing suppliers available on the group's side, many groups in need of manufacturing services on the suppliers' side), and therefore are more manageable with market transactions. It is true that the harmonization of the contractual interfaces that bind the parties in such a way as to influence adaptability and promote continuity, is a source of real economic value (Williamson, 1986), and this occurs mostly within companies. However, the same result is reached in a large part of the Italian fashion industry, by means of market transactions and this is possible thanks to their repeated and systematic character and mutual 'trust' (Dei Ottati, 1994) of socio-territorial origin, capable of overcoming many of the typical problems associated with market transactions (limited rationalization, opportunism, information asymmetry and moral hazard).

The process of restructuring, with the merging of three of the main companies, following their constant and strong growth, and the internal reorganization described in the preceding sections also eludes the analysis of the classical models. In place of the divisional structures provided with autonomy, foreseen by Chandler, facing growing international volumes and diversification, we have mergers and rationalizations of company functions. Once again the Chandler's model of internal growth does not occur. Scott's (1971) distinction between 'divisionalization', as the choice of an efficient structural typology and 'decentralization', or the different stages of development tied to production portfolios, foreseen by Channon (1973), do not adapt themselves to analyzing forms of businesses that emerge from the market and that continue to use market transactions even within the same economic body. In Sixty's new structure, for example, the Brand VPs negotiate on a contractual basis with the Operations VP and a large part of the manufacturing activity is externalized and regulated contractually.

The most appropriate key to understanding Sixty's development remains that of the industrial network that according to the nature of the transaction costs involved (frequency, specifics and uncertainty) reorganize and remodel itself, pursuing efficiency and effectiveness, in a structure that is always flexible, never crystallized in the impossible pursuit of 'controlling' the creative processes that in the fashion sector tend to be 'uncontrollable' on account of their nature and open to external contamination. Functions such as administration, finance, accounting and purchasing were better managed by individual companies during the launch phase of new brands where the safeguarding of initiatives required separating the said functions from the main brands' ordinary activity, through assigned partnership structures. Growth in size and internationalization generate instead, duplications and losses of opportunities in terms

of economies of scale and specialization. Hence, the need to merge and reorganize functions to regain efficiency and effectiveness.

Sixty's process of internationalization confirms the second hypothesis with regard to the interpretative superiority of Uppsala model (Johanson and Vahlne, 1977 and 2009) in describing the internationalization of 'industrial networks' of Italian companies in the fashion sector. The described modalities of internationalization were a necessary consequence of the reticular structure: they were incremental and on progressive levels of engagement and learning, linked to purchasing times and processing of knowledge and connections on behalf of the network. The stages were those typical of Uppsala model of internationalization (Johanson and Vahlne, 1977): commercial penetration through indirect channels, direct export with their own agents, marketing branches, production agreements, and finally, their own production establishments.

The choice of countries was closely linked to reasons of cultural affinity, psychic distance and geographical proximity: firstly the domestic and European markets, then the North American, and lastly the Chinese and Eastern markets with their different approach to 'casual wear'. What is special in the Italian fashion industry in respect to the revisited Uppsala model and its business network view of the environment faced by an internationalizing firm (Johanson and Vahlne, 2009), is that the internationalizing firm itself is a network structure and not just the environment outside. The boundaries between market and firm are blurred and constantly changing and the governance of the founding team is crucial in keeping the strategy-structure fit.

CONCLUSION

The present case study makes a contribution to research on the internationalization process of firms in the 'made in Italy' fashion industry, focusing on the strategy-structure fit and the role of the 'founding team' in providing such a fit.

The case proves the first hypothesis: unlike the high tech new ventures, a talented founding team, with no special connections, formal education or experience in the field, may play a key role in crafting an emergent internationalization strategy and keeping it coherent with firm's structure.

The case proves the second hypothesis: the classical deterministic stages of business development of the Chandler's tradition do not adapt themselves to the analyzed case; the casual link between strategy and structure is still true but Uppsala model of incremental learning and internationalization appears to be the most effective explanatory paradigm.

In the investigated case, international growth is an incremental learning process, based on cultural closeness and on building networks and relationships with suppliers and customers (such as, for example, the relationship between the two founders before the founding of Sixty), where 'the internationalizing firm is initially engaged in a

network which is primarily domestic' (Johanson and Vahlne, 1990, p. 18) and even within a town at the early stages. In successful fashion companies the strategy is an emergent (Mintzberg and Waters, 1985) and adapting one but it would be entirely wrong to underestimate the existence and the driving force of a founder or a founding team with a clear strategy and business view: 'At the surface it might seem that it is easy to network just as climbing a ladder from relationship to relationship. The building of business network relationships is a complex and delicate matter, which requires resources and time as well as responsiveness to the interests of partners' (Johanson and Vahlne, 2003, pp. 98-99). Mutual 'trust' (Dei Ottati, 1994) of socio-territorial origin and the 'industrial atmosphere' embedded in Italian industrial district (Becattini, 2000) may still help to create relationships and networks built on trust, but a talented 'founding team', able to keep a strategy-structure fit in a changing environment is what makes the company we have analyzed a 'leading company' (Lorenzoni, 1990), able to grow beyond the national borders and lead its own 'industrial networks' towards a successful internationalization in foreign markets. The company we have analyzed represents, in fact, a typical 'leading company' in the fashion industry.

The Uppsala model, that well fits the internationalization process in the case study, cannot be considered a different deterministic model, with a different and international focus, with respect to Chandler's and other classical models. In fact, it is all about learning and commitment building and the interplay between knowledge development and increasing foreign market commitments. The 'establishment chain', going from ad hoc exports to the establishment of manufacturing subsidiaries, is just 'the empirical phenomenon we observed, giving the impetus to construct the model' (Johanson and Vahlne, 2006, p. 166). Despite the fact that a very similar empirical phenomenon and 'establishment chain' was observed in our case, the most interesting point is not the 'establishment chain' but the 'incremental process of internationalization' in relation to a driving and 'emerging strategy'. The revised model clarifies the point: 'So, we claim our model is not deterministic. [...] As we now see it, the incremental internationalization process is about exploiting the opportunities identified at the moment (Johanson and Vahlne, 2006, p. 175). Their model fits with the analyzed case of a fast growing SME in the Italian fashion industry.

'Literal replies' and 'theoretical replies' (Yin, 1989; Eisenhardt, 1989) of this and other business cases will be necessary before drawing theoretical conclusions on the processes of internationalization of firms in the Italian fashion sector and the role of governance of the founding teams. From a methodological point of view, in fact, this case study has provided an empirically based 'analytical generalization' (Yin, 1989), that could be tested in similar firms. So that the present contribution to management studies is not about a 'generalization to a population' of firms but consists in developing and suggesting a theoretical framework or analytical generalization. In this sense, the chosen case study is not a random sample out of a population but a 'laboratory' that

has been chosen intentionally, because of its accessibility and resources. Inside this 'laboratory' the suggested hypotheses have been tested. It is obvious that we cannot generalize from this 'laboratory', unless other researchers test the same hypotheses in different 'laboratories', but the proposed and empirically based analytical generalization is nonetheless a significant contribution and base for future research. Based on the discussion and existent literature, the suggested analytical generalization appears to be coherent with the typical fast growing SMEs in the Italian fashion industry and appears to have potential for future generalization to the population.

From a substantial and practical point of view, the content of the analytical generalization is of great relevance for the governance of many internationalizing SMEs in the fashion sector that have difficulties in finding a strategy-structure fit capable of helping them take advantage of the new and huge opportunities of emerging markets. A more thoughtful understanding of the processes of internationalization of firms in the Italian fashion sector and the role of the founding team may help to identify the most effective concepts and models for their governance.

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